

Message Text

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73

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-04 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 INT-05 /043 W

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R 061431Z NOV 74

FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 926

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EO 11652: NA

TAGS: EINV, EMIN, CI
SUBJ: SAGASCA COPPER MINE PROBLEMS

1. SUMMARY: DECISION WILL BE MADE SOON WHETHER TO SHUT DOWN PARTIALLY US-OWNED SAGASCA COPPER MINE, WHICH SUSTAINING LARGE LOSSES AT CURRENT WORLD COPPER PRICES. END SUMMARY.

2. SAGASCA COPPER MINE (60 PERCENT OWNED BY CONTINENTAL COPPER AND STEEL) IS ON BRINK OF INSOLVENCY. SAGASCA DEFAULTED SEPTEMBER PAYMENT OF LOAN PRINCIPAL AND INTEREST TO DOWA (JAPAN) AND IFC, AND THESE CREDITORS WILL MEET WITH SAGASCA AND CCS OFFICIALS IN MID-NOVEMBER TO DECIDE COURSE OF ACTION. SAGASCA ALSO OWES CHILEAN COPPER CORPORATION (CODELCO) \$2 MILLION. EMBASSY UNDERSTANDS THAT FORMER BRADEN COPPER EXECUTIVE AND CURRENT SAGASCA ADVISOR BOB HALDEMAN IS STRONG ADVOCATE OF SHUTTING DOWN MINE. SAGASCA HAS EXPLORED RAMIFICATIONS OF SHUTDOWN WITH GOC, WHICH OWNS 25 PERCENT OF MINE.

3. COMMENT SAGASCA, MEDIUM-SIZED MINE DESIGNED TO PRODUCE 20,000 MT ANNUALLY AND EMPLOYING 500, HAS LONG HISTORY OF PROBLEMS. SINCE MINE OPENED IN 1972 IT HAS SUFFERED EARTHQUAKES, FLOODS, TAKEOVER ATTEMPTS BY ALLENDE GOVERNMENT, LABOR DIFFICULTIES, DISCRIMINATORY EXCHANGE RATE POLICIES, AND LIMITED OFFICIAL USE

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MOST RECENTLY, VERY HIGH PRICES FOR THE SHREDDDED STEEL SCRAP

IT USES IN REFINING PROCESS. IT HAS ALSO HAD MANAGEMENT PROBLEMS. AT CURRENT WORLD PRICES SAGASCA CANNOT COVER PRODUCTION COSTS. NONE OF ITS CREDITORS WANTS TO PUT IN ANY ADDITIONAL MONEY.

4. LOCAL SAGASCA OFFICIAL STILL OPTIMISTIC THAT SOLUTION WILL ONCE AGAIN BE FOUND SINCE GOC AWARE OF POTENTIAL ADVERSE EFFECTS OF HAVING MINE FAIL AND THROWING 500 PEOPLE OUT OF WORK. FAILURE WOULD ALSO BE A BLOW TO GOC CAMPAIGN TO ENCOURAGE NEW FOREIGN INVESTMENT.

5. ACTION REQUESTED: WOULD APPRECIATE DEPARTMENT KEEPING US ADVISED OF INFORMATION ON SAGASCA IT CAN PICK UP FROM US SOURCES.
POPPER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
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Concepts: COPPER, EXPORTS, MINING INDUSTRY, FINANCIAL DATA
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Copy: SINGLE
Draft Date: 06 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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30 JUN 2005

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